

**CHIEF AUDITOR'S REPORT
February 2008**

Attachment A

SUBJECT	DATE OF ASSIGNMENT	STATUS
1. Biennial Audit Plan	June 2007	<p>In Progress – The Board of Administration approved the Audit Plan for Fiscal Years 2007-08 upon recommendation by the Finance Committee on June 15, 2007. Mid-year assessment of Audit Services resources to complete the plan shows a net deficiency in budget to actual staff resources of approximately 3,000 hours (approx. 2.0 audit budget PY equivalents). Audit Services recommends deferring the following 6 audits from the current year plan:</p> <ul style="list-style-type: none"> • Other Post Employment Benefit Trust (600 hrs.) • Medicare Part D (700 hrs.) • Investment Reconciliation System (500 hrs.) • Investment Accounting Automation (500 hrs.) • Investment Office Staffing Levels (250 hrs.) • Global Equity - External Manager (500 hrs.) <p>A quarterly audit plan status report as of December 31, 2007 will be presented at the March Finance Committee meeting.</p>
2. Financial Statement Audit(s)	Ongoing Workload	<p>In Progress - CalPERS' independent financial statement auditor, Macias, Gini, and O' Connell is auditing the financial statements for the following programs:</p> <ul style="list-style-type: none"> • State Savings Plus – A financial statement audit of the investment activity for Fiscal Year 2006/07, including the period ending August, 2008. The financial statement and audit opinion will be presented to the Finance Committee at the March 2008 meeting. • Volunteer Fire Fighters Fund – A financial Statement audit of the fund activity, for the period beginning July 1, 2007 to February 29, 2008, and opinion letter will be presented to the Finance Committee at the June 2008 Finance Committee meeting.

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3. Financial Integrity State Manager's Act (FISMA) Audit	Ongoing Workload	<p>We completed an audit of CalPERS system of internal accounting and administrative controls and issued our report on December 17, 2007. The objectives of the audit were to ensure that:</p> <ul style="list-style-type: none"> • Assets are safeguarded against loss from unauthorized use or disposition. • Transactions are executed in accordance with management authorization and recorded properly to permit the preparation of reliable financial statements. • Financial operations are conducted in accordance with established policies and procedures. <p>The audit of CalPERS compliance with FISMA did not reveal any material inadequacy or material weakness in our internal accounting and administrative controls.</p>
4. Real Estate Auditor Spring Fed Pool	Ongoing Workload	<p>The Board of Administration Independent Real Estate Auditor Spring Fed Pool will be refreshed by soliciting for new auditors and expanding the specialties of auditors currently in the pool. The previously approved Request For Proposal is scheduled for release on February 22, 2008. Selection of finalists was previously delegated to staff by the Finance Committee. A finalist list will be presented to the Finance Committee for approval at the April 2008 meeting.</p>
5. Data Classification	December 2007	<p>At the December 2007 meeting, the Finance Committee reviewed the status of outstanding findings related HIPAA compliance. The Committee requested the template used to gather information about the systems where Electronic Protected Health Information is stored, data classified, and data ownership assigned. The template is Attachment B of this agenda item.</p>
6. Monitoring and Responding to Exposure Drafts and Proposals	Ongoing Workload	<p>The Institute of Internal Auditors is enhancing the <i>International Standards for the Professional Practice of Internal Auditing (Standards)</i>, to provide greater clarity, transparency, ease of use, and respond to the dramatic changes the internal audit profession has undergone over the past few years. Comments to the exposure draft are due March 31, 2008.</p>

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